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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte Notice

October 29, 1998

Magalie Roman-Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, D.C. 20554

Dear Ms. Salas:

Re: Access Reform Rate-of-Return Companies
CC Docket No. 98-77

Robert DeBroux (TDS), Caesar Caballero (ALLTEL), David Cohen (USTA), and the undersigned counsel on behalf of USTA met with Rich Lerner, Doug Slotten, and Lynne Milne of the FCC Common Carrier Bureau today regarding the above-referenced docket. The purpose of the meeting was to discuss USTA's comments filed in the proceeding as summarized in the attached handout. Please include a copy of this filing in the record of this proceeding.

Respectfully submitted,

Keith Townsend

Keith Townsend
Director Legal & Regulatory Affairs
& Senior Counsel

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USTA Access Reform: Rate-of-Return Companies

CC Docket No 98-77

USTA Ex Parte

29 October 1998

The Record Sends a Clear Message

- Permanent alterations to the access charge structure of the ROR LECs should be deferred
  - Until resolution of universal service issues directly affecting ROR LECs, such as examination of the high cost fund
- ROR LECs face significantly different conditions from those of price cap LECs
- A reasonable schedule exists for examining the high cost support system for rural LECs
  - Completion by January 1, 2001 at the earliest

Rate of Return LECs Differ Greatly from Price Cap LECs

- ROR LECs' common line and switching costs often are substantially higher than those of price cap LECs
- LECs generally depend more heavily on a few business customers, and have smaller, more scattered customer bases, than those of price cap LECs

If FCC proceeds, Interim Changes should be based on USTA's Plan

- Use SLCs, PICCs and CCLC structure, modified to address circumstances faced by ROR LECs
- Provide pricing flexibility
- Permit ROR LECs to compete efficiently under the 1996 Act

USTA Plan: SLCs, PICCs and CCLC

- SLCs and PICCs should be based on nationwide price cap averages
  - These averages provide a broad guidelines to reasonable rates throughout the United States in both urban and rural areas served by price cap LECs
- CCLC should be retained to cover residual CL revenue requirement

USTA Plan: Residence and Single-Line Business

- The record strongly supports removing the primary/non-primary residential line distinction now imposed on price cap LECs
  - For all residential lines, single-line business lines and BRI ISDN lines:
    - SLCs would be no greater than $3.50
    - PICCs would be no greater than the nationwide averages of PC LECs for primary residential and single-line business lines

USTA Plan: Multi-Line Business

- For multi-line business lines and PRI ISDN lines, SLCs and PICCs should be no greater than the nationwide averages of the rates for these elements for price cap LECs in the current year

USTA Plan: Other Structural Issues

- Only limited changes should be made in the local switching category
- Retain a per-minute TIC while limiting changes to the other transport elements
- Other changes to the access charge rules should not be made unless they reflect the environment in which ROR LECs operate

USTA Plan: Pricing Flexibility is Essential

- Zone pricing of SLCs, PICC, and CCL should be permitted within each study area served by a LEC not in the pooled NECA common line tariff
- ROR LECs now in the NECA common line pool should be permitted to withdraw from that pool for specific study areas
- There should be a reasonable number of geographic pricing zones for local switching elements in individual study areas

USTA Plan: Addressing Competition

- Regulation of ROR LECs should permit them to address competition as it develops

USTA Plan: Addressing Competition

- Permit LECs to tariff and price interstate telecommunications services on an individual case basis, and to file contract-based tariffs
  - To qualify, the LEC would elect, prior to receiving a bona fide interconnection request, to publish and make available a list of UNEs
  - Prices would be reasonably related to prices offered by similarly situated incumbent LECs
  - LEC would commit to provide LNP to any competitive entrant consistent with the approval of an interconnection agreement

USTA Plan: Addressing Competition

- When a ROR LEC has state approval of an interconnection agreement under Sec. 251 in a portion of its serving territory, the Commission should remove the LEC's interstate access rates from rate of return regulation within that area

AT&T's Plan is Flawed

- AT&T's plan is out of sequence
  - Universal service is not at issue in this proceeding
- Rate of Return should not be represcribed

Conclusion

- The Commission should defer permanent changes to access charge structure for ROR LECs
- Any interim change should follow USTA's plan
- Pricing flexibility and changes to permit more efficient competition are needed